

Message Text

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TAGS: EAGR, ECON, CH

SUBJ: FINANCIAL ASPECTS OF AGRICULTURAL MODERNIZATION

1. SUMMARY: RECENT PEOPLE'S DAILY ARTICLES HAVE
FOCUSED ON ONE OF THE KEY QUESTIONS IN THE PRC'S
AGRICULTURAL MODERNIZATION PROGRAM:. HOW COMMUNIES
CAN INCREASE THEIR MONETARY INCOMES ENOUGH TO
PURCHASE THE MACHINERY, FUEL AND CHEMICAL FERTILIZER
ON WHICH ANY BREAKTHROUGH IN PRODUCTION DEPENDS.
POLICY GUIDELINES INCLUDE SELF RELIANCE AND
INCREASED PRODUCTION OF CASH CROPS AND LIGHT
MANUFACTURERS FOR SALE TO THE STATE AND OTHER
COMMUNIES. THIS POLICY MAY HELP RESOLVE A
CONTRADICTION FORMERLY PRESENT IN THE AGRICULTURAL
MODERNIZATION PROGRAM. END SUMMARY.

2. CAPITAL ACCUMULATION AT THE COMMUNE LEVEL IS
THE KEY TO MECHANIZATION, ACCORDING TO ARTICLES
IN THE MAY 28, MAY 29 AND JUNE 17 "PEOPLE'S
DAILY". THE JUNE 17 ARTICLE AND AN EDITORIAL
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COMMENT ON THE EXPERIENCE OF THE SHU HSIEN
REGION OF ANHEWI PROVINCE STATE THAT THE
CORRECT LINE TO FOLLOW IN INCREASING
ACCUMULATION IS "TAKE GRAN AS THE KEY LINK
AND UNDERTAKE ALL-ROUND DEVELOPMENT"
COMMUNIES MUST NOT WAIT FOR HIGHER AUTHORITIES
TO PROVIDE CAPITAL FOR MECHANIZATION; THEY

MUST RELY ON THEIR OWN EFFORTS. IN PARTICULAR, THEY MUST INCREASE PRODUCTION OF CASH CROPS AND HANDICRAFTS FOR SALE TO THE STATE AND TO OTHER COMMUNES. INDICATING CONCERN OVER THE RESURGENCE OF CAPITALISM UNDER THE DRIVE TO INCREASE MONETARY PROFITS, THE ARTICLES STRESS COLLECTIVE, RATHER THAN INDIVIDUAL, PRODUCTION OF CASH CROPS AND HANDICRAFTS. THEY FURTHER WARN AGAINST THE USE OF COLLECTIVE EQUIPMENT SOLELY FOR MONETARY GAIN, SUCH AS THE HIRING OUT OF TRACTORS TO HAUL GOODS FOR CASH.

3. COMMENT: THE BASIC CONTRADICTION IN THE PRC'S AGRICULTURAL MODERNIZATION VISION HAS BEEN, ON THE ONE HAND, THE NEED TO ACQUIRE MODERN INPUTS IN ORDER TO ATTAIN THE HOPED FOR BREAKTHROUGH IN STAGNANT GRAIN PRODUCTION WHILE, ON THE OTHER HAND, ONLY A PRODUCTION BREAKTHROUGH COULD PROVIDE ENOUGH CAPITAL WITH WHICH TO PROCURE THESE INPUTS. DESPITE REFERENCES TO TAKING GRAIN AS THE KEY LINK, THE ARTICLES APPEAR TO INDICATE A WILLINGNESS TO FOREGO EARLY INCREASES IN GRAIN PRODUCTION IN FAVOR OF INCREASED OUTPUT OF CASH CROPS AND HANDICRAFTS WHICH CAN CONTRIBUTE MOST RAPIDLY

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TO RAISING COMMUNE INCOMES, AND THUS ACCUMULATION. THIS APPARENT CHANGE WOULD PERMIT LATER ACQUISITION OF EXPENSIVE MACHINERY, FUEL AND FERTILIZER WITH WHICH TO REALIZE A BREAKTHROUGH IN GRAIN PRODUCTION.

4. IT IS NOT SURPRISING THAT THE STATE SEEMS UNWILLING TO RAISE RURAL INCOMES BY ADJUSTING THE TERMS OF TRADE BETWEEN THE AGRICULTURAL AND INDUSTRIAL SECTORS IN FAVOR OF THE FORMER BY RAISING PURCHASE PRICES FOR GRAIN OR LOWERING SALES PRICES FOR FERTILIZER, MACHINERY AND FUEL. SUCH AN ADJUSTMENT WOULD CONSTITUTE AN INCREASED SUBSIDY (OR A REDUCED TAX) FOR THE AGRICULTURAL SECTOR. THE GOVERNMENT PROBABLY DOES NOT HAVE THE RESOURCES TO DO THIS ON ANY SCALE. INDEED, IT APPEARS THAT THE GOVERNMENT STILL EXPECTS AGRICULTURE TO CONTINUE TO PULL ITS OWN WEIGHT AND TO PROVIDE CAPITAL FOR

INDUSTRIALIZATION.
THOMAS

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